

Message Text

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ARA-10 EA-09 EUR-12 NEA-10 DHA-02 INT-05 AGR-10

AID-05 CIAE-00 COME-00 EB-07 FRB-01 INR-07 NSAE-00

USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03 H-02

PA-02 ACDA-10 PM-04 DODE-00 /181 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9175

INFO USUN NEW YORK 701

UNCLAS SECTION 1 OF 2 LIMA 2171

FOR EB - BOEKER; L - FELDMAN; TREAS - LANGE; COMMERCE - ARRILL;
CIEP - GRANFIELD

TAGS: OCON, EFIN, ECOSOC, PE

SUBJ: UN COMMISSION ON MULTINATIONAL CORPORATIONS- THIRD
DAY, MARCH 3

1. SUMMARY: FIRST FULL DAY WAS CONTINUATION OF GENERAL DISCUSSION WITH SPEECHES BY DELEGATES FROM IRAN, INDIA, YUGOSLAVIA, JAPAN, AUSTRALIA, EAST AND WEST GERMANY, ALGERIA, MEXICO, PERU, ARGENTINA, ITALY, NIGERIA, AND ICC. SPEECHES PRAISED WORK OF SECRETARIAT IN HAVING DONE SUCH COMPREHENSIVE STUDIES IN SO SHORT A TIME. MOST SPEECHES CALMLY DELIVERED STRESSING NEED TO MAXIMIZE BENEFITS OF MNC'S AND MINIMIZE THEIR ILL EFFECTS. MOST PAID RESPECT TO VALUE OF MNC'S IN TRANSFERRING TECHNOLOGY AND CAPITAL. THAILAND, UGANDA, ECUADOR, AND SEVERAL NGO'S WILL SPEAK TOMORROW. WITH NO SUBSTANTIVE WORK SCHEDULED THROUGH FOURTH DAY AND EXCURSIONS PLANNED FOR WEEKEND,
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SOME CONCERN EXPRESSED AT SLOWNESS OF PACE OF WORK.

HIGHLIGHTS OF SPEECHES FOLLOW.

2. MARCH 3 MORNING SESSION BEGAN WITH RELATIVELY NON-CONFRONTATIONAL SPEECHES WITH NO SURPRISES.

3. IRANIAN DELEGATE FAVORED INTERSESSIONAL, INFORMAL INTERGOVERNMENTAL MEETINGS AND AD HOC SERVICES OF EXPERTS FROM TRADE UNIONS, ETC. PROPOSED IMMEDIATE HANDLING OF CORRUPT PRACTICES ISSUE INCLUDING DISCLOSURE OF FEES AND GOVERNMENT PENALTIES FOR OFFENDERS. DID NOT SEE PROBLEM AS INTRACTABLE BUT EMPHASIZED THAT "PROFIT-AT-ALL COSTS" WHICH IS RULING MOTIVE CANNOT BE BASIS OF NEW INTERNATIONAL ECONOMIC ORDER. CITED IRANIAN LAW IN WHICH EVERY FOREIGN CORPORATION DOING BUSINESS WITH GOI MUST SWEAR NO FEES PAID TO ANYONE NOT LISTED IN CONTRACT WITH PENALTIES METED OUT TO OFFENDERS. WORK SHOULD BEGIN IMMEDIATELY ON PRIMARY AREAS OF CONCERN. VIEWS OF PARTICIPATING GOVERNMENTS SHOULD BE PROVIDED BUT SHOULD NOT DELAY WORKING GROUP.

4. INDIA OPENED WITH BROAD STATEMENT REITERATING THAT STATE SOVEREIGNTY MUST BE RESPECTED. FAVORED BROAD DEFINITIONS OF MNC'S, SYSTEM FOR COLLECTING DATA IN HOME AND HOST COUNTRIES WHICH WOULD PROVIDE COMPATIBLE DATA AVAILABLE TO BOTH HOME AND HOST COUNTRIES, REGULATORY FRAMEWORK FOR COLLECTING AND MONITORING DATA, WORKING GROUP AND AD HOC USE OF EXPERTS.

5. YUGOSLAVIA FAVORED STAGED PROGRESS BY INTER-GOVERNMENTAL GROUP AND AD HOC USE OF EXPERTS. NOTED PROGRAM MAY BE TOO AMBITIOUS BECAUSE OF LACK OF FINANCIAL RESOURCES.

6. JAPANESE DELEGATE REITERATED BENEFITS OF TNC'S, NOTED THAT INVESTMENT HAS LARGER EFFECT ON WORLD ECONOMIC ORDER THAN TRADE AND THEREFORE EQUITABLE MODUS VIVENDI MUST BE CONSTRUCTED FOR DISTRIBUTION OF BENEFITS. STRESSED JAPAN'S OBJECTIVITY BECAUSE OF SITUATION AS BOTH HOME AND HOST COUNTRY. FAVORED MORE STUDIES AS TO POLITICAL, ECONOMIC AND SOCIAL EFFECTS OF MNC'S.

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7. AUSTRALIA EMPHASIZED ITS SPECIAL POSITION AS A DEVELOPED COUNTRY WITH HIGH PER CAPITA INCOME BUT ALSO WITH NEED FOR CAPITAL TO DEVELOP ITS NATIONAL RESOURCES EFFICIENTLY. REMINED GROUP THAT DEVELOPED WORLD IS NOT MONOLITHIC BLOC AND EMPHASIZED THAT RULES OF GAME MUST BE MADE KNOWN TO ALL. AGREED WITH U.S. AND SWEDEN THAT APPROACH MUST VERY DEPENDING ON ISSUE--GOVERNMENT-TO-GOVERNMENT AGREEMENTS, NATIONAL LEGISLATION, VOLUNTARY,

ETC. AGREED WITH SWEDEN ON NEED FOR LIST OF ITEMS AND SUBITEMS IN PRIORITY FORM. SUGGESTED CLOSED MEETINGS OF WORKING GROUP BEGIN TOMORROW AND USE OF EXPERTS ON AD HOC BASIS.

8. GERMAN DEMOCRATIC REPUBLIC. CONFRONTATIONAL SPEECH STRESSED NEGATIVE EFFECTS OF MNC'S: (1) VIOLATIONS OF NATIONAL SOVEREIGNTY, (2) ROLE IN COLONIALISM, RACISM AND APARTHEID, (3) PLUNDERING OF NATURAL RESOURCES AND OBSTRUCTION OF SOCIAL PROGRESS, (4) OBSTRUCTING JUST ECONOMIC ORDER, AND (5) ADVERSELY AFFECTING WORKING PEOPLE AND TRADE UNIONISM. CODE OF CONDUCT VITAL AND WILL PRESENT MORE DETAILED VIEWS LATER.

9. ALGERIA. PUT FORTH CONCEPT FOR ESTABLISHMENT OF CENTER FOR NON-ALIGNED COUNTRIES WHICH WOULD HOPEFULLY GET UN COOPERATION. SAID INVESTMENT IS WELCOME WHICH IS IN CONFORMANCE WITH NATIONAL INTEREST. CODE SHOULD BE PREPARED BEFORE END OF 1978 WHICH WOULD BE STANDARDS, NOT JUST PRINCIPLES, BY WHICH MNC'S WOULD HAVE TO LIVE AND WHICH GOVERNMENTS WOULD ENFORCE. FAVORS INTER-GOVERNMENTAL WORKING GROUP, AD HOC ASSISTANCE OF PRIVATE GROUPS, AND INFORMATION SYSTEM.

10. MEXICO. CODE SHOULD BE MANDATORY AND MNC'S SHOULD BE REQUIRED TO ABIDE BY CERDS AGREEMENTS. FAVORS BROAD INFORMATION SYSTEM, WORKING GROUP, AND AD HOC USE OF EXPERTS. AT 1977 COMMISSION MEETING, ANNOTATED OUTLINE OF CODE SHOULD BE AVAILABLE. AT 1978 MEETING, CODE WOULD BE ADOPTED. IN THE MEANWHILE, MORE DETAILED SURVEY OF DATA NEEDS OF LDC'S AND AVAILABILITY OF MNC INFORMATION SHOULD BE CONDUCTED.

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UNCLAS SECTION 2 OF 2 LIMA 2171

FOR EB - BOEKER; L - FELDMAN; TREAS - LANGE; COMMERCE - ARRILL;
CIEP - GRANFIELD

11. PERU. OPENED THE AFTERNOON SESSION WITH A STATE-
MENT SUPPORTING WORKING GROUP. FAVORS MANDATORY CODE
WITH LEGAL MACHINERY TO INSURE OBSERVANCE. ALSO FAVORS
AD HOC USE OF EXPERTS. TARGET DATE FOR CODE APPROVAL
IS 1977-78. STATE ENTERPRISES SHOULD NOT BE INCLUDED
BECAUSE THEIR GOALS ARE DIFFERENT FROM OTHER MNC'S.
BELIEVES INFORMATION CENTER IS IMPORTANT BUT SHOULD
AVOID DUPLICATION. CITED STRUGGLE AGAINST COLONIALISM,
APARTHEID, DANGER TO WORLD PEACE AND SECURITY OF NOT
WRITING CODE, INJUSTICE OF PRESENT STRUCTURE.

12. FEDERAL REPUBLIC OF GERMANY. CONCEDED SOME MNC'S
HAVE ABUSED POWER PARTLY THROUGH USE OF THEIR SIZE AND
PARTLY THROUGH THEIR INTERNATIONALITY AS ON TAX AND
ANTITRUST MATTERS. GERMANY IS WILLING TO COOPERATE IN
READJUSTING BALANCE BETWEEN POLITICAL CONSIDERATIONS
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OF HOST AND HOME COUNTRIES. PRELIMINARY WORK RESULTED
IN CENTER BEING ESTABLISHED. FIRST PRIORITY IS CODE OF
CONDUCT. AT PRESENT STAGE SHOULD BE NONBINDING. CODE
IS EVOLUTIONARY PROCESS. FAVORS WORKING GROUP, THOROUGH
STUDY OF ISSUES, AND COMPREHENSIVE INFORMATION SYSTEM,
THE LATTER TO BE DONE BEFORE CODE OF CONDUCT. TECHNICAL
ASSISTANCE IS IMPORTANT TO HELP LDC'S DETERMINE NEEDS
AND POLICIES. EXISTING PROGRAMS SHOULD BE FULLY UTILIZED.

13. ARGENTINA. FIGUERERO SAID HE HADN'T INTENDED TO

ENTER GENERAL DEBATE BECAUSE HE PUT FORTH HIS VIEWS AT FIRST COMMISSION MEETING. DOCUMENT L-2 SUBMITTED BY LATIN AMERICAN STATES IS STILL SOLE CONCRETE PROPOSAL. CODE OF CONDUCT ESSENTIAL AND CAN BE EXPECTED TO BE EVOLUTIONARY. HOWEVER, INFORMATION AND TECHNICAL ASSISTANCE ALSO IMPORTANT. THIS IS NOT A COMMISSION ON DIRECT INVESTMENT, BUT ON MNC'S.

14. ITALY. FAVORS USE OF WORKING GROUP; TAKING INTO ACCOUNT WORK OF OECD, OAS, AND ICC; USE OF EXPERTS ON AD HOC BASIS; COLLECTION AND DISSEMINATION OF INFORMATION. CAUTIONED AGAINST BEING TOO AMBITIOUS. WILL HAVE MORE THOUGHTS LATER.

15. NETHERLANDS. FAVORS INTERSESSIONAL WORKING GROUP, USE OF EXPERTS, AND STEP-BY-STEP APPROACH. RESULTS WOULD BE PRESENTED AT NEXT YEAR'S MEETING. IF CODE IS VOLUNTARY, MORAL PRESSURE CAN BE ASSURED.

16. BRAZIL. STRESSED NEED OF MNC'S TO CONFORM TO NATIONAL OBJECTIVES AND ALSO NEED FOR FOREIGN CAPITAL. FAVORED AD HOC USE OF EXPERTS FROM DC'S AND LDC'S AND ADDITIONAL STUDIES ON SPECIFIC PORTIONS OF CODE.

17. NIGERIA. BELIEVES INTRANSIGENCE OF MNC'S PREVENTED MUCH COOPERATION. FAVORS INTERGOVERNMENTAL, INTERSESSIONAL WORKING GROUP, AD HOC USE OF EXPERTS.

18. INTERNATIONAL CHAMBER OF COMMERCE SAID IT SPEAKS FOR PRIVATE BUSINESS IN DC'S AND LDC'S. BELIEVES IN INTERDEPENDENCE, NOT CONFORNTATION. TRANSNATIONALITY IS
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GROWING PHENOMENON AND SOME TNE'S NOW BASED IN LDC'S AND SOME STATE OWNED. TWO PROBLEMS ARISE:
(1) FUNDS FOR INVESTMENT IN FUTURE MAY BE SCARCE AND
(2) WILL MONEY AND SKILLS BE DIRECTED TO MOST NEEDY?
A CODE IS DESIRABLE AS A CONSISTENT SET OF RECOMMENDATIONS. USE OF A TREATY IS NOT PRACTICAL EXCEPT ON SPECIFIC ITEMS SUCH AS TAXES. RE BRIBERY, MUST MAKE IT AS IMPROPER TO ASK OR RECEIVE AS IT IS TO OFFER OR GIVE. ANNOUNCED NEW ICC COMMISSION ON UNETHICAL PRACTICES WOULD BE HEADED BY LORD SHAWCROSS.
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